

# House Study Bill 519 - Introduced

SENATE/HOUSE FILE \_\_\_\_\_

BY (PROPOSED GOVERNOR'S BILL)

## A BILL FOR

1 An Act relating to property taxation and local government  
2 budgets by establishing and modifying property assessment  
3 limitations, providing for certain property tax replacement  
4 payments, establishing budget limitations for counties and  
5 cities, eliminating certain reporting requirements, making  
6 appropriations, and including applicability provisions.  
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 DIVISION I

2 PROPERTY ASSESSMENT LIMITATIONS — PROPERTY TAX REPLACEMENT

3 Section 1. Section 257.3, subsection 1, Code 2011, is  
4 amended by adding the following new paragraph:

5 NEW PARAGRAPH. d. The amount paid to each school district  
6 for the commercial and industrial property tax replacement  
7 claim under section 441.21A shall be regarded as property tax.  
8 The portion of the payment which is foundation property tax  
9 shall be determined by applying the foundation property tax  
10 rate to the amount computed under section 441.21A, subsection  
11 4, paragraph "a", and such amount shall be prorated pursuant to  
12 section 441.21A, subsection 2, if applicable.

13 Sec. 2. Section 331.512, Code 2011, is amended by adding  
14 the following new subsection:

15 NEW SUBSECTION. 13A. Carry out duties relating to the  
16 calculation and payment of commercial and industrial property  
17 tax replacement claims under section 441.21A.

18 Sec. 3. Section 331.559, Code 2011, is amended by adding the  
19 following new subsection:

20 NEW SUBSECTION. 25A. Carry out duties relating to the  
21 calculation and payment of commercial and industrial property  
22 tax replacement claims under section 441.21A.

23 Sec. 4. Section 441.21, subsection 4, Code Supplement 2011,  
24 is amended to read as follows:

25 4. For valuations established as of January 1, 1979,  
26 the percentage of actual value at which agricultural and  
27 residential property shall be assessed shall be the quotient  
28 of the dividend and divisor as defined in this section. The  
29 dividend for each class of property shall be the dividend  
30 as determined for each class of property for valuations  
31 established as of January 1, 1978, adjusted by the product  
32 obtained by multiplying the percentage determined for that  
33 year by the amount of any additions or deletions to actual  
34 value, excluding those resulting from the revaluation of  
35 existing properties, as reported by the assessors on the

1 abstracts of assessment for 1978, plus six percent of the  
2 amount so determined. However, if the difference between the  
3 dividend so determined for either class of property and the  
4 dividend for that class of property for valuations established  
5 as of January 1, 1978, adjusted by the product obtained by  
6 multiplying the percentage determined for that year by the  
7 amount of any additions or deletions to actual value, excluding  
8 those resulting from the revaluation of existing properties,  
9 as reported by the assessors on the abstracts of assessment  
10 for 1978, is less than six percent, the 1979 dividend for the  
11 other class of property shall be the dividend as determined for  
12 that class of property for valuations established as of January  
13 1, 1978, adjusted by the product obtained by multiplying  
14 the percentage determined for that year by the amount of  
15 any additions or deletions to actual value, excluding those  
16 resulting from the revaluation of existing properties, as  
17 reported by the assessors on the abstracts of assessment for  
18 1978, plus a percentage of the amount so determined which is  
19 equal to the percentage by which the dividend as determined  
20 for the other class of property for valuations established  
21 as of January 1, 1978, adjusted by the product obtained by  
22 multiplying the percentage determined for that year by the  
23 amount of any additions or deletions to actual value, excluding  
24 those resulting from the revaluation of existing properties,  
25 as reported by the assessors on the abstracts of assessment  
26 for 1978, is increased in arriving at the 1979 dividend for  
27 the other class of property. The divisor for each class  
28 of property shall be the total actual value of all such  
29 property in the state in the preceding year, as reported by  
30 the assessors on the abstracts of assessment submitted for  
31 1978, plus the amount of value added to said total actual  
32 value by the revaluation of existing properties in 1979 as  
33 equalized by the director of revenue pursuant to section  
34 441.49. The director shall utilize information reported on  
35 abstracts of assessment submitted pursuant to section 441.45

1 in determining such percentage. For valuations established  
2 as of January 1, 1980, and each assessment year thereafter  
3 beginning before January 1, 2013, the percentage of actual  
4 value as equalized by the director of revenue as provided  
5 in section 441.49 at which agricultural and residential  
6 property shall be assessed shall be calculated in accordance  
7 with the methods provided herein including the limitation of  
8 increases in agricultural and residential assessed values to  
9 the percentage increase of the other class of property if the  
10 other class increases less than the allowable limit adjusted to  
11 include the applicable and current values as equalized by the  
12 director of revenue, except that any references to six percent  
13 in this subsection shall be four percent. For valuations  
14 established as of January 1, 2013, and each assessment year  
15 thereafter, the percentage of actual value as equalized by the  
16 director of revenue as provided in section 441.49 at which  
17 agricultural and residential property shall be assessed shall  
18 be calculated in accordance with the methods provided herein  
19 including the limitation of increases in agricultural and  
20 residential assessed values to the percentage increase of the  
21 other class of property if the other class increases less  
22 than the allowable limit adjusted to include the applicable  
23 and current values as equalized by the director of revenue,  
24 except that any references to six percent in this subsection  
25 shall be two percent. However, for valuations established as  
26 of January 1, 2013, and each assessment year thereafter, the  
27 percentage of actual value as equalized by the director of  
28 revenue as provided in section 441.49 at which agricultural  
29 and residential property shall be assessed, as calculated in  
30 accordance with the methods provided herein, shall not increase  
31 or decrease more than two percentage points from the percentage  
32 of actual value applicable to the same class of property in the  
33 previous assessment year.

34 Sec. 5. Section 441.21, subsection 5, Code Supplement 2011,  
35 is amended to read as follows:

1     5. a. ~~For valuations established as of January 1, 1979,~~  
2 ~~commercial property and industrial property, excluding~~  
3 ~~properties referred to in section 427A.1, subsection 8, shall~~  
4 ~~be assessed as a percentage of the actual value of each class~~  
5 ~~of property. The percentage shall be determined for each~~  
6 ~~class of property by the director of revenue for the state in~~  
7 ~~accordance with the provisions of this section. For valuations~~  
8 ~~established as of January 1, 1979, the percentage shall be~~  
9 ~~the quotient of the dividend and divisor as defined in this~~  
10 ~~section. The dividend for each class of property shall be the~~  
11 ~~total actual valuation for each class of property established~~  
12 ~~for 1978, plus six percent of the amount so determined. The~~  
13 ~~divisor for each class of property shall be the valuation~~  
14 ~~for each class of property established for 1978, as reported~~  
15 ~~by the assessors on the abstracts of assessment for 1978,~~  
16 ~~plus the amount of value added to the total actual value by~~  
17 ~~the revaluation of existing properties in 1979 as equalized~~  
18 ~~by the director of revenue pursuant to section 441.49. For~~  
19 ~~valuations established as of January 1, 1979, property valued~~  
20 ~~by the department of revenue pursuant to chapters 428, 433,~~  
21 ~~437, and 438 shall be considered as one class of property and~~  
22 ~~shall be assessed as a percentage of its actual value. The~~  
23 ~~percentage shall be determined by the director of revenue in~~  
24 ~~accordance with the provisions of this section. For valuations~~  
25 ~~established as of January 1, 1979, the percentage shall be~~  
26 ~~the quotient of the dividend and divisor as defined in this~~  
27 ~~section. The dividend shall be the total actual valuation~~  
28 ~~established for 1978 by the department of revenue, plus ten~~  
29 ~~percent of the amount so determined. The divisor for property~~  
30 ~~valued by the department of revenue pursuant to chapters 428,~~  
31 ~~433, 437, and 438 shall be the valuation established for 1978,~~  
32 ~~plus the amount of value added to the total actual value by~~  
33 ~~the revaluation of the property by the department of revenue~~  
34 ~~as of January 1, 1979. For valuations established as of~~  
35 ~~January 1, 1980, commercial property and industrial property,~~

1 ~~excluding properties referred to in section 427A.1, subsection~~  
2 ~~8, shall be assessed at a percentage of the actual value of~~  
3 ~~each class of property. The percentage shall be determined~~  
4 ~~for each class of property by the director of revenue for the~~  
5 ~~state in accordance with the provisions of this section. For~~  
6 ~~valuations established as of January 1, 1980, the percentage~~  
7 ~~shall be the quotient of the dividend and divisor as defined in~~  
8 ~~this section. The dividend for each class of property shall~~  
9 ~~be the dividend as determined for each class of property for~~  
10 ~~valuations established as of January 1, 1979, adjusted by the~~  
11 ~~product obtained by multiplying the percentage determined~~  
12 ~~for that year by the amount of any additions or deletions to~~  
13 ~~actual value, excluding those resulting from the revaluation~~  
14 ~~of existing properties, as reported by the assessors on the~~  
15 ~~abstracts of assessment for 1979, plus four percent of the~~  
16 ~~amount so determined. The divisor for each class of property~~  
17 ~~shall be the total actual value of all such property in 1979,~~  
18 ~~as equalized by the director of revenue pursuant to section~~  
19 ~~441.49, plus the amount of value added to the total actual~~  
20 ~~value by the revaluation of existing properties in 1980. The~~  
21 ~~director shall utilize information reported on the abstracts of~~  
22 ~~assessment submitted pursuant to section 441.45 in determining~~  
23 ~~such percentage. For valuations established as of January 1,~~  
24 ~~1980, property valued by the department of revenue pursuant~~  
25 ~~to chapters 428, 433, 437, and 438 shall be assessed at a~~  
26 ~~percentage of its actual value. The percentage shall be~~  
27 ~~determined by the director of revenue in accordance with the~~  
28 ~~provisions of this section. For valuations established as of~~  
29 ~~January 1, 1980, the percentage shall be the quotient of the~~  
30 ~~dividend and divisor as defined in this section. The dividend~~  
31 ~~shall be the total actual valuation established for 1979 by~~  
32 ~~the department of revenue, plus eight percent of the amount so~~  
33 ~~determined. The divisor for property valued by the department~~  
34 ~~of revenue pursuant to chapters 428, 433, 437, and 438 shall be~~  
35 ~~the valuation established for 1979, plus the amount of value~~

1 added to the total actual value by the revaluation of the  
2 property by the department of revenue as of January 1, 1980.  
3 ~~For valuations established as of January 1, 1981, and each~~  
4 ~~year thereafter, the percentage of actual value as equalized~~  
5 ~~by the director of revenue as provided in section 441.49 at~~  
6 ~~which commercial property and industrial property, excluding~~  
7 ~~properties referred to in section 427A.1, subsection 8, shall~~  
8 ~~be assessed shall be calculated in accordance with the methods~~  
9 ~~provided herein, except that any references to six percent~~  
10 ~~in this subsection shall be four percent.~~ For valuations  
11 established as of January 1, 1981, and each year thereafter,  
12 the percentage of actual value at which property valued by  
13 the department of revenue pursuant to chapters 428, 433, 437,  
14 and 438 shall be assessed shall be calculated in accordance  
15 with the methods provided herein, except that any references  
16 to ten percent in this subsection shall be eight percent.  
17 Beginning with valuations established as of January 1, 1979,  
18 and each assessment year thereafter beginning before January  
19 1, 2013, property valued by the department of revenue pursuant  
20 to chapter 434 shall also be assessed at a percentage of its  
21 actual value which percentage shall be equal to the percentage  
22 determined by the director of revenue for commercial property,  
23 industrial property, or property valued by the department of  
24 revenue pursuant to chapters 428, 433, 437, and 438, whichever  
25 is lowest. For valuations established on or after January 1,  
26 2013, property valued by the department of revenue pursuant to  
27 chapter 434 shall be assessed at a percentage of its actual  
28 value equal to the percentage of actual value at which property  
29 assessed as commercial property is assessed for the same  
30 assessment year.  
31 b. (1) For valuations established on or after January 1,  
32 2013, commercial property, excluding properties referred to in  
33 section 427A.1, subsection 8, shall be assessed as a percentage  
34 of its actual value, as determined in this paragraph "b".  
35 For valuations established for the assessment year beginning

1 January 1, 2013, the percentage of actual value as equalized by  
2 the director of revenue as provided in section 441.49 at which  
3 commercial property shall be assessed shall be ninety-five  
4 percent. For valuations established for the assessment year  
5 beginning January 1, 2014, the percentage of actual value as  
6 equalized by the director of revenue as provided in section  
7 441.49 at which commercial property shall be assessed shall be  
8 ninety percent. For valuations established for the assessment  
9 year beginning January 1, 2015, the percentage of actual value  
10 as equalized by the director of revenue as provided in section  
11 441.49 at which commercial property shall be assessed shall be  
12 eighty-five percent.

13 (2) For valuations established for the assessment year  
14 beginning January 1, 2016, and each assessment year thereafter,  
15 the percentage of actual value as equalized by the director  
16 of revenue as provided in section 441.49 at which commercial  
17 property shall be assessed shall be the percentage of actual  
18 value that commercial property was assessed in the previous  
19 assessment year, unless the statewide commercial and industrial  
20 property valuation growth condition under section 441.21A,  
21 subsection 1, is satisfied and the state appropriation  
22 under section 441.21A, subsection 1, for the fiscal year in  
23 which taxes from the assessment year are due and payable is  
24 not otherwise reduced by law. If such statewide valuation  
25 growth and state appropriation conditions are satisfied, the  
26 percentage of actual value as equalized by the director of  
27 revenue as provided in section 441.49 at which commercial  
28 property shall be assessed shall be the percentage of actual  
29 value that commercial property was assessed in the previous  
30 assessment year minus five percentage points. However, for any  
31 assessment year, the percentage of actual value shall not be  
32 less than sixty percent.

33 c. (1) For valuations established on or after January 1,  
34 2013, industrial property, excluding properties referred to in  
35 section 427A.1, subsection 8, shall be assessed as a percentage



1 of its actual value, as determined in this paragraph "c".  
2 For valuations established for the assessment year beginning  
3 January 1, 2013, the percentage of actual value as equalized by  
4 the director of revenue as provided in section 441.49 at which  
5 industrial property shall be assessed shall be ninety-five  
6 percent. For valuations established for the assessment year  
7 beginning January 1, 2014, the percentage of actual value as  
8 equalized by the director of revenue as provided in section  
9 441.49 at which industrial property shall be assessed shall be  
10 ninety percent. For valuations established for the assessment  
11 year beginning January 1, 2015, the percentage of actual value  
12 as equalized by the director of revenue as provided in section  
13 441.49 at which industrial property shall be assessed shall be  
14 eighty-five percent.

15 (2) For valuations established for the assessment year  
16 beginning January 1, 2016, and each assessment year thereafter,  
17 the percentage of actual value as equalized by the director  
18 of revenue as provided in section 441.49 at which industrial  
19 property shall be assessed shall be the percentage of actual  
20 value that industrial property was assessed in the previous  
21 assessment year, unless the statewide commercial and industrial  
22 property valuation growth condition under section 441.21A,  
23 subsection 1, is satisfied and the state appropriation  
24 under section 441.21A, subsection 1, for the fiscal year in  
25 which taxes from the assessment year are due and payable is  
26 not otherwise reduced by law. If such statewide valuation  
27 growth and state appropriation conditions are satisfied, the  
28 percentage of actual value as equalized by the director of  
29 revenue as provided in section 441.49 at which industrial  
30 property shall be assessed shall be the percentage of actual  
31 value that industrial property was assessed in the previous  
32 assessment year minus five percentage points. However, for any  
33 assessment year, the percentage of actual value shall not be  
34 less than sixty percent.

35 Sec. 6. NEW SECTION. 441.21A Commercial and industrial

1 **property tax replacement fund — replacement claims.**

2 1. *a.* The commercial and industrial property tax  
3 replacement fund is created in the state treasury under  
4 the control of the department of revenue for the payment of  
5 commercial and industrial property tax replacement claims in  
6 fiscal years beginning on or after July 1, 2014.

7 *b.* For the fiscal year beginning July 1, 2014, there  
8 is appropriated from the general fund of the state to the  
9 department of revenue to be credited to the fund, fifty million  
10 dollars.

11 *c.* For fiscal years beginning on or after July 1, 2015,  
12 there is annually appropriated from the general fund of the  
13 state to the department of revenue to be credited to the fund  
14 an amount equal to the amount of the appropriation to the fund  
15 required under this subsection for the previous fiscal year,  
16 unless the total statewide actual value of all commercial and  
17 industrial property for the budget assessment year exceeds one  
18 hundred four percent of the total statewide actual value of all  
19 commercial and industrial property in the base assessment year.  
20 If such an increase in the statewide actual value of commercial  
21 and industrial property occurs for the budget assessment year,  
22 the amount of the appropriation shall instead be an amount  
23 equal to the sum of the amount of the appropriation to the fund  
24 required under this subsection for the previous fiscal year  
25 plus one of the following amounts:

26 (1) Fifty million dollars, if the amount of the  
27 appropriation required under this subsection for the previous  
28 fiscal year was less than one hundred fifty million dollars.

29 (2) Thirty million dollars, if the amount of the  
30 appropriation required under this subsection for the previous  
31 fiscal year was greater than or equal to one hundred fifty  
32 million dollars, but less than two hundred forty million  
33 dollars.

34 (3) Zero dollars, if the amount of the appropriation  
35 required under this subsection for the previous fiscal year was

1 two hundred forty million dollars.

2 *d.* For purposes of this section:

3 (1) "*Base assessment year*" means the assessment year for the  
4 property taxes that were due and payable during the most recent  
5 fiscal year in which there was an increase required under this  
6 subsection in the appropriation to the fund. For the purposes  
7 of determining a base assessment year, the appropriation for  
8 the fiscal year beginning July 1, 2014, shall constitute an  
9 increase required under this subsection in the appropriation  
10 to the commercial and industrial property tax replacement fund  
11 over the previous fiscal year.

12 (2) "*Budget assessment year*" means the assessment year for  
13 the property taxes due and payable in the fiscal year for which  
14 the appropriation is made.

15 2. Beginning with the fiscal year beginning July 1, 2014,  
16 each county treasurer shall be paid from the commercial and  
17 industrial property tax replacement fund an amount equal to  
18 the amount of the commercial and industrial property tax  
19 replacement claims in the county, as calculated in subsection  
20 4. If an amount appropriated for a fiscal year is insufficient  
21 to pay all replacement claims, the director of revenue  
22 shall prorate the disbursements from the fund to the county  
23 treasurers and shall notify the county auditors of the pro rata  
24 percentage on or before September 30. Any unspent balance in  
25 the fund as of June 30 of each year shall revert to the general  
26 fund of the state as provided by section 8.33.

27 3. On or before July 1 of each fiscal year beginning on  
28 or after July 1, 2014, the assessor shall determine the total  
29 assessed value of all commercial and industrial property  
30 assessed for taxes due and payable in that fiscal year and the  
31 total assessed value of such property assessed as of January 1,  
32 2012, and shall report the valuations to the county auditor.

33 4. On or before September 1 of each fiscal year beginning  
34 on or after July 1, 2014, the county auditor shall prepare  
35 a statement, based upon the report received pursuant to

1 subsection 3, listing for each taxing district in the county:

2     *a.* The difference between the assessed valuation of all  
3 commercial and industrial property assessed for the current  
4 assessment year, beginning with the assessment year beginning  
5 January 1, 2013, and the assessed value of all commercial  
6 and industrial property assessed as of January 1, 2012. If  
7 the assessed value of all commercial and industrial property  
8 assessed as of January 1, 2012, is less than the assessed  
9 valuation of all commercial and industrial property for the  
10 current assessment year, there is no tax replacement for that  
11 taxing district for the fiscal year.

12     *b.* The tax levy rate for each taxing district for that  
13 fiscal year.

14     *c.* The commercial and industrial property tax replacement  
15 claim for each taxing district. For fiscal years beginning on  
16 or after July 1, 2014, the replacement claim is equal to the  
17 amount determined pursuant to paragraph "*a*", multiplied by the  
18 tax rate specified in paragraph "*b*".

19     5. For purposes of computing replacement amounts under  
20 this section, that portion of an urban renewal area defined as  
21 the sum of the assessed valuations defined in section 403.19,  
22 subsections 1 and 2, shall be considered a taxing district.

23     6. *a.* The county auditor shall certify and forward one copy  
24 of the statement to the department of revenue not later than  
25 September 1 of each year.

26     *b.* The replacement claims shall be paid to each county  
27 treasurer in equal installments in September and March of each  
28 year. The county treasurer shall apportion the replacement  
29 claim payments among the eligible taxing districts in the  
30 county.

31     *c.* If the taxing district is an urban renewal area, the  
32 amount of the replacement claim shall be apportioned as  
33 provided in subsection 7.

34     7. *a.* If the total assessed value of property located in an  
35 urban renewal area taxing district for the budget assessment

1 year is equal to or more than that portion of such valuation  
2 defined in section 403.19, subsection 1, the total replacement  
3 claim amount computed pursuant to subsection 4 shall be  
4 credited to that portion of the assessed value defined in  
5 section 403.19, subsection 2.

6     *b.* If the total assessed value of the property located in an  
7 urban renewal area taxing district for the budget assessment  
8 year is less than that portion of such valuation defined in  
9 section 403.19, subsection 1, the replacement amount shall be  
10 credited to those portions of the assessed value defined in  
11 section 403.19, subsections 1 and 2, as follows:

12     (1) To that portion defined in section 403.19, subsection  
13 1, an amount equal to the amount that would be produced by  
14 multiplying the applicable consolidated levy rate times the  
15 difference between the assessed value of the taxable property  
16 defined in section 403.19, subsection 1, and the total assessed  
17 value of the property located in the urban renewal area  
18 taxing district in the budget assessment year for which the  
19 replacement claim is computed.

20     (2) To that portion defined in section 403.19, subsection 2,  
21 the remaining amount, if any.

22     *c.* Notwithstanding the allocation provisions of paragraphs  
23 "a" and "b", the amount of the tax replacement amount that shall  
24 be allocated to that portion of the assessed value defined  
25 in section 403.19, subsection 2, shall not exceed the amount  
26 equal to the amount certified to the county auditor under  
27 section 403.19 for the budget year in which the claim is paid,  
28 after deduction of the amount of other revenues committed for  
29 payment on that amount for the budget year. The amount not  
30 allocated to that portion of the assessed value defined in  
31 section 403.19, subsection 2, as a result of the operation of  
32 this paragraph, shall be allocated to that portion of assessed  
33 value defined in section 403.19, subsection 1.

34     *d.* The amount of the replacement claim amount credited to  
35 the portion of the assessed value defined in section 403.19,

1 subsection 1, shall be allocated to and when received be paid  
2 into the fund for the respective taxing district as taxes by  
3 or for the taxing district into which all other property taxes  
4 are paid. The amount of the replacement claim amount credited  
5 to the portion of the assessed value defined in section 403.19,  
6 subsection 2, shall be allocated to and when collected be paid  
7 into the special fund of the municipality under section 403.19,  
8 subsection 2.

9 Sec. 7. SAVINGS PROVISION. This division of this Act,  
10 pursuant to section 4.13, does not affect the operation of,  
11 or prohibit the application of, prior provisions of section  
12 441.21, or rules adopted under chapter 17A to administer prior  
13 provisions of section 441.21, for assessment years beginning  
14 before January 1, 2013, and for duties, powers, protests,  
15 appeals, proceedings, actions, or remedies attributable to an  
16 assessment year beginning before January 1, 2013.

17 Sec. 8. APPLICABILITY. This division of this Act applies to  
18 assessment years beginning on or after January 1, 2013.

19 DIVISION II

20 COUNTY AND CITY BUDGET LIMITATION

21 Sec. 9. Section 23A.2, subsection 10, paragraph h, Code  
22 2011, is amended to read as follows:

23 *h.* The performance of an activity listed in section 331.424,  
24 Code 2011, as a service for which a supplemental levy county  
25 may be certified include in its budget.

26 Sec. 10. Section 28M.5, subsection 2, Code 2011, is amended  
27 to read as follows:

28 2. If a regional transit district budget allocates  
29 revenue responsibilities to the board of supervisors of a  
30 participating county, the amount of the regional transit  
31 district levy that is the responsibility of the participating  
32 county shall be deducted from the maximum ~~rates~~ amount of taxes  
33 authorized to be levied by the county pursuant to section  
34 331.423, ~~subsections 1 and 2~~ subsection 3, paragraphs "b"  
35 and "c", as applicable, unless the county meets its revenue

1 responsibilities as allocated in the budget from other  
2 available revenue sources. However, for a regional transit  
3 district that includes a county with a population of less than  
4 three hundred thousand, the amount of the regional transit  
5 district levy that is the responsibility of such participating  
6 county shall be deducted from the maximum ~~rate~~ amount of taxes  
7 authorized to be levied by the county pursuant to section  
8 331.423, subsection ~~1~~ 3, paragraph "b".

9 Sec. 11. Section 123.38, subsection 2, Code 2011, is amended  
10 to read as follows:

11 2. Any licensee or permittee, or the licensee's or  
12 permittee's executor or administrator, or any person duly  
13 appointed by the court to take charge of and administer the  
14 property or assets of the licensee or permittee for the benefit  
15 of the licensee's or permittee's creditors, may voluntarily  
16 surrender a license or permit to the division. When a license  
17 or permit is surrendered the division shall notify the local  
18 authority, and the division or the local authority shall  
19 refund to the person surrendering the license or permit, a  
20 proportionate amount of the fee received by the division or  
21 the local authority for the license or permit as follows: if  
22 a license or permit is surrendered during the first three  
23 months of the period for which it was issued, the refund shall  
24 be three-fourths of the amount of the fee; if surrendered  
25 more than three months but not more than six months after  
26 issuance, the refund shall be one-half of the amount of the  
27 fee; if surrendered more than six months but not more than  
28 nine months after issuance, the refund shall be one-fourth of  
29 the amount of the fee. No refund shall be made, however, for  
30 any special liquor permit, nor for a liquor control license,  
31 wine permit, or beer permit surrendered more than nine months  
32 after issuance. For purposes of this subsection, any portion  
33 of license or permit fees used for the purposes authorized in  
34 section 331.424, subsection 1, paragraph "a", subparagraphs  
35 (1) and (2), Code 2011, and in section 331.424A, shall not be

1 deemed received either by the division or by a local authority.  
2 No refund shall be made to any licensee or permittee, upon the  
3 surrender of the license or permit, if there is at the time  
4 of surrender, a complaint filed with the division or local  
5 authority, charging the licensee or permittee with a violation  
6 of this chapter. If upon a hearing on a complaint the license  
7 or permit is not revoked or suspended, then the licensee or  
8 permittee is eligible, upon surrender of the license or permit,  
9 to receive a refund as provided in this section; but if the  
10 license or permit is revoked or suspended upon hearing the  
11 licensee or permittee is not eligible for the refund of any  
12 portion of the license or permit fee.

13 Sec. 12. Section 218.99, Code 2011, is amended to read as  
14 follows:

15 **218.99 Counties to be notified of patients' personal**  
16 **accounts.**

17 The administrator in control of a state institution shall  
18 direct the business manager of each institution under the  
19 administrator's jurisdiction ~~which is mentioned in section~~  
20 ~~331.424, subsection 1, paragraph "a", subparagraphs (1)~~  
21 ~~and (2), and~~ for which services are paid under section  
22 331.424A, to quarterly inform the county of legal settlement's  
23 entity designated to perform the county's central point of  
24 coordination process of any patient or resident who has an  
25 amount in excess of two hundred dollars on account in the  
26 patients' personal deposit fund and the amount on deposit. The  
27 administrators shall direct the business manager to further  
28 notify the entity designated to perform the county's central  
29 point of coordination process at least fifteen days before the  
30 release of funds in excess of two hundred dollars or upon the  
31 death of the patient or resident. If the patient or resident  
32 has no county of legal settlement, notice shall be made to the  
33 director of human services and the administrator in control of  
34 the institution involved.

35 Sec. 13. Section 331.263, subsection 2, Code 2011, is



1 amended to read as follows:

2     2. The governing body of the community commonwealth  
3 shall have the authority to levy county taxes and shall  
4 have the authority to levy city taxes to the extent the  
5 city tax levy authority is transferred by the charter to  
6 the community commonwealth. A city participating in the  
7 community commonwealth shall transfer a portion of the  
8 city's tax levy authorized under section 384.1 or 384.12,  
9 whichever is applicable, to the governing body of the community  
10 commonwealth. The maximum ~~rates~~ amount of taxes authorized to  
11 be levied under ~~sections~~ section 384.1 and the maximum amount  
12 of taxes authorized to be levied under section 384.12 by a city  
13 participating in the community commonwealth shall be reduced  
14 by an amount equal to the rates of the same or similar taxes  
15 levied in the city by the governing body of the community  
16 commonwealth.

17     Sec. 14. Section 331.301, subsection 12, Code Supplement  
18 2011, is amended to read as follows:

19     12. The board of supervisors may credit funds to a reserve  
20 for the purposes authorized by subsection 11 of this section;  
21 ~~section 331.424, subsection 1, paragraph "a", subparagraph~~  
22 ~~(6);~~ and section 331.441, subsection 2, paragraph "b". Moneys  
23 credited to the reserve, and interest earned on such moneys,  
24 shall remain in the reserve until expended for purposes  
25 authorized by subsection 11 of this section; ~~section 331.424,~~  
26 ~~subsection 1, paragraph "a", subparagraph (6);~~ or section  
27 331.441, subsection 2, paragraph "b".

28     Sec. 15. Section 331.421, subsections 1 and 10, Code 2011,  
29 are amended by striking the subsections.

30     Sec. 16. Section 331.421, Code 2011, is amended by adding  
31 the following new subsection:

32     NEW SUBSECTION. 7A. "Item" means a budgeted expenditure,  
33 appropriation, or cash reserve from a fund for a service area,  
34 program, program element, or purpose.

35     Sec. 17. Section 331.423, Code 2011, is amended by striking

1 the section and inserting in lieu thereof the following:

2 **331.423 Property tax dollars — maximums.**

3 1. Annually, the board shall determine separate property  
4 tax levy limits to pay for general county services and rural  
5 county services in accordance with this section. The property  
6 tax levies separately certified for general county services and  
7 rural county services under section 331.434 shall not raise  
8 property tax dollars that exceed the amount determined under  
9 this section.

10 2. For purposes of this section and section 331.423B, unless  
11 the context otherwise requires:

12 *a. "Annual growth factor"* means an index, expressed as  
13 a percentage, determined by the department of management by  
14 January 1 of the calendar year in which the budget year begins.  
15 In determining the annual growth factor, the department shall  
16 calculate the average of the preceding twelve-month percentage  
17 change, which shall be computed on a monthly basis, in the  
18 midwest consumer price index, ending with the percentage change  
19 for the month of November. The department shall then add that  
20 average percentage change to one hundred percent. In no case,  
21 however, shall the annual growth factor exceed one hundred four  
22 percent.

23 *b. "Boundary adjustment"* means annexation, severance,  
24 incorporation, or discontinuance as those terms are defined in  
25 section 368.1.

26 *c. "Budget year"* is the fiscal year beginning during the  
27 calendar year in which a budget is certified.

28 *d. "Current fiscal year"* is the fiscal year ending during  
29 the calendar year in which a budget is certified.

30 *e. "Net new valuation taxes"* means the amount of property  
31 tax dollars equal to the current fiscal year's levy rate in  
32 the county for general county services or for rural county  
33 services, as applicable, multiplied by the increase from the  
34 current fiscal year to the budget year in taxable valuation due  
35 to the following:

1 (1) Net new construction, excluding all incremental  
2 valuation that is released in any one year from either a  
3 division of revenue under section 260E.4 or an urban renewal  
4 area for which taxes were being divided under section 403.19 if  
5 the property for the valuation being released remains subject  
6 to the division of revenue under section 260E.4 or remains part  
7 of the urban renewal area that is subject to a division of  
8 revenue under section 403.19.

9 (2) Additions or improvements to existing structures.

10 (3) Remodeling of existing structures for which a building  
11 permit is required.

12 (4) Net boundary adjustment.

13 (5) A municipality no longer dividing tax revenues in an  
14 urban renewal area as provided in section 403.19 or a community  
15 college no longer dividing revenues as provided in section  
16 260E.4.

17 (6) That portion of taxable property located in an urban  
18 revitalization area on which an exemption was allowed and such  
19 exemption has expired.

20 3. *a.* For the fiscal year beginning July 1, 2013, and  
21 subsequent fiscal years, the maximum amount of property tax  
22 dollars which may be certified for levy by a county for general  
23 county services and rural county services shall be the maximum  
24 property tax dollars calculated under paragraphs "*b*" and "*c*",  
25 respectively.

26 *b.* The maximum property tax dollars that may be levied for  
27 general county services is an amount equal to the sum of the  
28 following:

29 (1) The annual growth factor times the current fiscal year's  
30 maximum property tax dollars for general county services.

31 (2) The amount of net new valuation taxes in the county.

32 *c.* The maximum property tax dollars that may be levied for  
33 rural county services is an amount equal to the sum of the  
34 following:

35 (1) The annual growth factor times the current fiscal year's

1 maximum property tax dollars for rural county services.

2 (2) The amount of net new valuation taxes in the  
3 unincorporated area of the county.

4 4. a. For purposes of calculating maximum property tax  
5 dollars for general county services for the fiscal year  
6 beginning July 1, 2013, only, the term "*current fiscal year's*  
7 *maximum property tax dollars*" shall mean the total amount of  
8 property tax dollars certified by the county for general county  
9 services for the fiscal year beginning July 1, 2012.

10 b. For purposes of calculating maximum property tax dollars  
11 for rural county services for the fiscal year beginning July  
12 1, 2013, only, the term "*current fiscal year's maximum property*  
13 *tax dollars*" shall mean the total amount of property tax dollars  
14 certified by the county for rural county services for the  
15 fiscal year beginning July 1, 2012.

16 5. Property taxes certified for mental health, mental  
17 retardation, and developmental disabilities services, the  
18 emergency services fund in section 331.424C, the debt service  
19 fund in section 331.430, any capital projects fund established  
20 by the county for deposit of bond, loan, or note proceeds, and  
21 any temporary increase approved pursuant to section 331.424,  
22 are not included in the maximum amount of property tax dollars  
23 that may be certified for a budget year under subsection 3.

24 6. The department of management, in consultation with the  
25 county finance committee, shall adopt rules to administer this  
26 section. The department shall prescribe forms to be used by  
27 counties when making calculations required by this section.

28 Sec. 18. NEW SECTION. 331.423B Ending fund balance.

29 1. a. Budgeted ending fund balances for a budget year  
30 in excess of twenty-five percent of budgeted expenditures in  
31 either the general fund or rural services fund for that budget  
32 year shall be explicitly reserved or designated for a specific  
33 purpose.

34 b. A county is encouraged, but not required, to reduce  
35 budgeted, unreserved, or undesignated ending fund balances for

1 the budget year to an amount equal to approximately twenty-five  
2 percent of budgeted expenditures and transfers from the general  
3 fund and rural services fund for that budget year unless a  
4 decision is certified by the state appeal board ordering a  
5 reduction in the ending fund balance of any of those funds.

6     *c.* In a protest to the county budget under section 331.436,  
7 the county shall have the burden of proving that the budgeted  
8 balances in excess of twenty-five percent are reasonably likely  
9 to be appropriated for the explicitly reserved or designated  
10 specific purpose. The excess budgeted balance for the specific  
11 purpose shall be considered an increase in an item in the  
12 budget for purposes of section 24.28.

13     2. *a.* For a county that has, as of June 30, 2012, reduced  
14 its actual ending fund balance to less than twenty-five  
15 percent of actual expenditures, additional property taxes may  
16 be computed and levied as provided in this subsection. The  
17 additional property tax levy amount is an amount not to exceed  
18 twenty-five percent of actual expenditures from the general  
19 fund and rural services fund for the fiscal year beginning July  
20 1, 2011, minus the combined ending fund balances for those  
21 funds for that year.

22     *b.* The amount of the additional property taxes shall be  
23 apportioned between the general fund and the rural services  
24 fund. However, the amount apportioned for general county  
25 services and for rural county services shall not exceed for  
26 each fund twenty-five percent of actual expenditures for the  
27 fiscal year beginning July 1, 2011.

28     *c.* All or a portion of additional property tax dollars  
29 may be levied for the purpose of increasing cash reserves  
30 for general county services and rural county services in the  
31 budget year. The additional property tax dollars authorized  
32 under this subsection but not levied may be carried forward as  
33 unused ending fund balance taxing authority until and for the  
34 fiscal year beginning July 1, 2018. The amount carried forward  
35 shall not exceed twenty-five percent of the maximum amount of

1 property tax dollars available in the current fiscal year.  
2 Additionally, property taxes that are levied as unused ending  
3 fund balance taxing authority under this subsection may be the  
4 subject of a protest under section 331.436, and the amount  
5 will be considered an increase in an item in the budget for  
6 purposes of section 24.28. The amount of additional property  
7 taxes levied under this subsection shall not be included in the  
8 computation of the maximum amount of property tax dollars which  
9 may be certified and levied under section 331.423.

10 Sec. 19. Section 331.424, Code 2011, is amended by striking  
11 the section and inserting in lieu thereof the following:

12 **331.424 Authority to levy beyond maximum property tax**  
13 **dollars.**

14 1. The board may certify additions to the maximum amount  
15 of property tax dollars to be levied for a period of time not  
16 to exceed two years if the proposition has been submitted at a  
17 special election and received a favorable majority of the votes  
18 cast on the proposition.

19 2. The special election is subject to the following:

20 a. The board must give at least thirty-two days' notice to  
21 the county commissioner of elections that the special election  
22 is to be held. In no case, however, shall a notice be given to  
23 the county commissioner of elections after December 31 for an  
24 election on a proposition to exceed the statutory limits during  
25 the fiscal year beginning in the next calendar year.

26 b. The special election shall be conducted by the county  
27 commissioner of elections in accordance with law.

28 c. The proposition to be submitted shall be substantially  
29 in the following form:

30 Vote "yes" or "no" on the following: Shall the county of  
31 \_\_\_\_\_ levy for an additional \$ \_\_\_\_\_ each year for \_\_\_\_ years  
32 beginning July 1, \_\_\_\_\_, in excess of the statutory limits  
33 otherwise applicable for the (general county services or rural  
34 services) fund?

35 d. The canvass shall be held beginning at 1:00 p.m. on

1 the second day which is not a holiday following the special  
2 election.

3 e. Notice of the special election shall be published at  
4 least once in a newspaper as specified in section 331.305 prior  
5 to the date of the special election. The notice shall appear  
6 as early as practicable after the board has voted to submit  
7 a proposition to the voters to levy additional property tax  
8 dollars.

9 3. Registered voters in the county may vote on the  
10 proposition to increase property taxes for the general fund  
11 in excess of the statutory limit. Registered voters residing  
12 outside the corporate limits of a city within the county may  
13 vote on the proposition to increase property taxes for the  
14 rural services fund in excess of the statutory limit.

15 4. The amount of additional property tax dollars certified  
16 under this section shall not be included in the computation  
17 of the maximum amount of property tax dollars which may be  
18 certified and levied under section 331.423.

19 Sec. 20. Section 331.424A, subsection 4, Code Supplement  
20 2011, is amended to read as follows:

21 4. For the fiscal year beginning July 1, 1996, and for each  
22 subsequent fiscal year, the county shall certify a levy for  
23 payment of services. For each fiscal year, county revenues  
24 from taxes imposed by the county credited to the services fund  
25 shall not exceed an amount equal to the amount of base year  
26 expenditures for services as defined in section 331.438, less  
27 the amount of property tax relief to be received pursuant to  
28 section 426B.2, in the fiscal year for which the budget is  
29 certified. The county auditor and the board of supervisors  
30 shall reduce the amount of the levy certified for the services  
31 fund by the amount of property tax relief to be received. A  
32 levy certified under this section is not subject to the appeal  
33 ~~provisions of section 331.426 or to~~ any other provision in law  
34 authorizing a county to exceed, increase, or appeal a property  
35 tax levy limit.

1     Sec. 21. Section 331.427, subsection 3, paragraph 1, Code  
2 2011, is amended to read as follows:

3     1. Services listed in section 331.424, subsection 1, Code  
4 2011, and section 331.554.

5     Sec. 22. Section 331.428, subsection 2, paragraph d, Code  
6 2011, is amended to read as follows:

7     d. Services listed under section 331.424, subsection 2, Code  
8 2011.

9     Sec. 23. Section 331.434, subsection 1, Code 2011, is  
10 amended to read as follows:

11     1. The budget shall show the amount required for each class  
12 of proposed expenditures, a comparison of the amounts proposed  
13 to be expended with the amounts expended for like purposes for  
14 the two preceding years, the revenues from sources other than  
15 property taxation, and the amount to be raised by property  
16 taxation, in the detail and form prescribed by the director  
17 of the department of management. For each county that has  
18 established an urban renewal area, the budget shall include  
19 estimated and actual tax increment financing revenues and all  
20 estimated and actual expenditures of the revenues, proceeds  
21 from debt and all estimated and actual expenditures of the  
22 debt proceeds, and identification of any entity receiving a  
23 direct payment of taxes funded by tax increment financing  
24 revenues and shall include the total amount of loans, advances,  
25 indebtedness, or bonds outstanding at the close of the most  
26 recently ended fiscal year, which qualify for payment from the  
27 special fund created in section 403.19, including interest  
28 negotiated on such loans, advances, indebtedness, or bonds.  
29 For purposes of this subsection, "*indebtedness*" includes  
30 written agreements whereby the county agrees to suspend, abate,  
31 exempt, rebate, refund, or reimburse property taxes, provide  
32 a grant for property taxes paid, or make a direct payment  
33 of taxes, with moneys in the special fund. The amount of  
34 loans, advances, indebtedness, or bonds shall be listed in  
35 the aggregate for each county reporting. ~~The county finance~~



1 ~~committee, in consultation with the department of management~~  
2 ~~and the legislative services agency, shall determine reporting~~  
3 ~~criteria and shall prepare a form for reports filed with the~~  
4 ~~department pursuant to this section. The department shall make~~  
5 ~~the information available by electronic means.~~

6 Sec. 24. Section 373.10, Code 2011, is amended to read as  
7 follows:

8 **373.10 Taxing authority.**

9 The metropolitan council shall have the authority to  
10 levy city taxes to the extent the city tax levy authority  
11 is transferred by the charter to the metropolitan council.  
12 A member city shall transfer a portion of the city's tax  
13 levy authorized under section 384.1 or 384.12, whichever is  
14 applicable, to the metropolitan council. The maximum ~~rates~~  
15 amount of taxes authorized to be levied under sections section  
16 384.1 and the taxes authorized to be levied under section  
17 384.12 by a member city shall be reduced by an amount equal to  
18 the rates of the same or similar taxes levied in the city by the  
19 metropolitan council.

20 Sec. 25. Section 384.1, Code 2011, is amended by striking  
21 the section and inserting in lieu thereof the following:

22 **384.1 Property tax dollars — maximums.**

23 1. A city shall certify taxes to be levied by the city  
24 on all taxable property within the city limits, for all city  
25 government purposes. Annually, the city council may certify  
26 basic levies for city government purposes, subject to the  
27 limitation on property tax dollars provided in this section.

28 2. For purposes of this section and section 384.1B, unless  
29 the context otherwise requires:

30 *a. "Annual growth factor"* means an index, expressed as  
31 a percentage, determined by the department of management by  
32 January 1 of the calendar year in which the budget year begins.  
33 In determining the annual growth factor, the department shall  
34 calculate the average of the preceding twelve-month percentage  
35 change, which shall be computed on a monthly basis, in the

1 midwest consumer price index, ending with the percentage change  
2 for the month of November. The department shall then add that  
3 average percentage change to one hundred percent. In no case,  
4 however, shall the annual growth factor exceed one hundred four  
5 percent.

6     *b. "Boundary adjustment"* means annexation, severance,  
7 incorporation, or discontinuance as those terms are defined in  
8 section 368.1.

9     *c. "Budget year"* is the fiscal year beginning during the  
10 calendar year in which a budget is certified.

11     *d. "Current fiscal year"* is the fiscal year ending during  
12 the calendar year in which a budget is certified.

13     *e. "Net new valuation taxes"* means the amount of property  
14 tax dollars equal to the current fiscal year's levy rate in the  
15 city for the general fund multiplied by the increase from the  
16 current fiscal year to the budget year in taxable valuation due  
17 to the following:

18     (1) Net new construction, excluding all incremental  
19 valuation that is released in any one year from either a  
20 division of revenue under section 260E.4 or an urban renewal  
21 area for which taxes were being divided under section 403.19 if  
22 the property for the valuation being released remains subject  
23 to the division of revenue under section 260E.4 or remains part  
24 of the urban renewal area that is subject to a division of  
25 revenue under section 403.19.

26     (2) Additions or improvements to existing structures.

27     (3) Remodeling of existing structures for which a building  
28 permit is required.

29     (4) Net boundary adjustment.

30     (5) A municipality no longer dividing tax revenues in an  
31 urban renewal area as provided in section 403.19 or a community  
32 college no longer dividing revenues as provided in section  
33 260E.4.

34     (6) That portion of taxable property located in an urban  
35 revitalization area on which an exemption was allowed and such

1 exemption has expired.

2 3. *a.* For the fiscal year beginning July 1, 2013, and  
3 subsequent fiscal years, the maximum amount of property  
4 tax dollars which may be certified for levy by a city for  
5 the general fund shall be the maximum property tax dollars  
6 calculated under paragraph *"b"*.

7 *b.* The maximum property tax dollars that may be levied for  
8 deposit in the general fund is an amount equal to the sum of the  
9 following:

10 (1) The annual growth factor times the current fiscal year's  
11 maximum property tax dollars for the general fund.

12 (2) The amount of net new valuation taxes in the city.

13 4. For purposes of calculating maximum property tax dollars  
14 for the city general fund for the fiscal year beginning July  
15 1, 2013, only, the term *"current fiscal year's maximum property*  
16 *tax dollars"* shall mean the total amount of property tax dollars  
17 certified by the city for the city's general fund for the  
18 fiscal year beginning July 1, 2012.

19 5. Property taxes certified for deposit in the debt service  
20 fund in section 384.4, trust and agency funds in section  
21 384.6, capital improvements reserve fund in section 384.7,  
22 the emergency fund in section 384.8, any capital projects  
23 fund established by the city for deposit of bond, loan, or  
24 note proceeds, any temporary increase approved pursuant to  
25 section 384.12A, property taxes collected from a voted levy in  
26 section 384.12, and property taxes levied under section 384.12,  
27 subsection 18, are not counted against the maximum amount of  
28 property tax dollars that may be certified for a fiscal year  
29 under subsection 3.

30 6. Notwithstanding the maximum amount of taxes a city  
31 may certify for levy, the tax levied by a city on tracts of  
32 land and improvements on the tracts of land used and assessed  
33 for agricultural or horticultural purposes shall not exceed  
34 three dollars and three-eighths cents per thousand dollars  
35 of assessed value in any year. Improvements located on such

1 tracts of land and not used for agricultural or horticultural  
2 purposes and all residential dwellings are subject to the same  
3 rate of tax levied by the city on all other taxable property  
4 within the city.

5 7. The department of management, in consultation with the  
6 city finance committee, shall adopt rules to administer this  
7 section. The department shall prescribe forms to be used by  
8 cities when making calculations required by this section.

9 Sec. 26. NEW SECTION. 384.1B Ending fund balance.

10 1. a. Budgeted ending fund balances for a budget year in  
11 excess of twenty-five percent of budgeted expenditures from the  
12 general fund for that budget year shall be explicitly reserved  
13 or designated for a specific purpose.

14 b. A city is encouraged, but not required, to reduce  
15 budgeted, unreserved, or undesignated ending fund balances for  
16 the budget year to an amount equal to approximately twenty-five  
17 percent of budgeted expenditures and transfers from the general  
18 fund for that budget year unless a decision is certified by  
19 the state appeal board ordering a reduction in the ending fund  
20 balance of the fund.

21 c. In a protest to the city budget under section 384.19,  
22 the city shall have the burden of proving that the budgeted  
23 balances in excess of twenty-five percent are reasonably likely  
24 to be appropriated for the explicitly reserved or designated  
25 specific purpose. The excess budgeted balance for the specific  
26 purpose shall be considered an increase in an item in the  
27 budget for purposes of section 24.28.

28 2. a. For a city that has, as of June 30, 2012, reduced its  
29 ending fund balance to less than twenty-five percent of actual  
30 expenditures, additional property taxes may be computed and  
31 levied as provided in this subsection. The additional property  
32 tax levy amount is an amount not to exceed the difference  
33 between twenty-five percent of actual expenditures for city  
34 government purposes for the fiscal year beginning July 1, 2011,  
35 minus the ending fund balance for that year.

1     *b.* All or a portion of additional property tax dollars  
2 may be levied for the purpose of increasing cash reserves for  
3 city government purposes in the budget year. The additional  
4 property tax dollars authorized under this subsection but not  
5 levied may be carried forward as unused ending fund balance  
6 taxing authority until and for the fiscal year beginning  
7 July 1, 2018. The amount carried forward shall not exceed  
8 twenty-five percent of the maximum amount of property tax  
9 dollars available in the current fiscal year. Additionally,  
10 property taxes that are levied as unused ending fund balance  
11 taxing authority under this subsection may be the subject of a  
12 protest under section 384.19, and the amount will be considered  
13 an increase in an item in the budget for purposes of section  
14 24.28. The amount of additional property tax dollars levied  
15 under this subsection shall not be included in the computation  
16 of the maximum amount of property tax dollars which may be  
17 certified and levied under section 384.1.

18     Sec. 27. Section 384.12, subsection 20, Code 2011, is  
19 amended by striking the subsection.

20     Sec. 28. NEW SECTION. 384.12A Authority to levy beyond  
21 maximum property tax dollars.

22     1. The city council may certify additions to the maximum  
23 amount of property tax dollars to be levied for a period of  
24 time not to exceed two years if the proposition has been  
25 submitted at a special election and received a favorable  
26 majority of the votes cast on the proposition.

27     2. The special election is subject to the following:

28     *a.* The city council must give at least thirty-two days'  
29 notice to the county commissioner of elections that the special  
30 election is to be held. In no case, however, shall a notice be  
31 given to the county commissioner of elections after December 31  
32 for an election on a proposition to exceed the statutory limits  
33 during the fiscal year beginning in the next calendar year.

34     *b.* The special election shall be conducted by the county  
35 commissioner of elections in accordance with law.

1     *c.* The proposition to be submitted shall be substantially  
2 in the following form:

3     Vote "yes" or "no" on the following: Shall the city of  
4 \_\_\_\_\_ levy for an additional \$\_\_\_\_\_ each year for \_\_\_\_ years  
5 beginning next July 1, \_\_\_\_, in excess of the statutory limits  
6 otherwise applicable for the city general fund?

7     *d.* The canvass shall be held beginning at 1:00 p.m. on  
8 the second day which is not a holiday following the special  
9 election.

10    *e.* Notice of the special election shall be published at  
11 least once in a newspaper as specified in section 362.3 prior  
12 to the date of the special election. The notice shall appear  
13 as early as practicable after the city council has voted to  
14 submit a proposition to the voters to levy additional property  
15 tax dollars.

16    3. The amount of additional property tax dollars certified  
17 under this section shall not be included in the computation  
18 of the maximum amount of property tax dollars which may be  
19 certified and levied under section 384.1.

20    Sec. 29. Section 384.16, subsection 1, paragraph b, Code  
21 2011, is amended to read as follows:

22    *b.* A budget must show comparisons between the estimated  
23 expenditures in each program in the following year, the latest  
24 estimated expenditures in each program in the current year,  
25 and the actual expenditures in each program from the annual  
26 report as provided in section 384.22, or as corrected by a  
27 subsequent audit report. Wherever practicable, as provided in  
28 rules of the committee, a budget must show comparisons between  
29 the levels of service provided by each program as estimated for  
30 the following year, and actual levels of service provided by  
31 each program during the two preceding years. For each city  
32 that has established an urban renewal area, the budget shall  
33 include estimated and actual tax increment financing revenues  
34 and all estimated and actual expenditures of the revenues,  
35 proceeds from debt and all estimated and actual expenditures of

1 the debt proceeds, and identification of any entity receiving  
2 a direct payment of taxes funded by tax increment financing  
3 revenues and shall include the total amount of loans, advances,  
4 indebtedness, or bonds outstanding at the close of the most  
5 recently ended fiscal year, which qualify for payment from the  
6 special fund created in section 403.19, including interest  
7 negotiated on such loans, advances, indebtedness, or bonds.  
8 The amount of loans, advances, indebtedness, or bonds shall  
9 be listed in the aggregate for each city reporting. ~~The city~~  
10 ~~finance committee, in consultation with the department of~~  
11 ~~management and the legislative services agency, shall determine~~  
12 ~~reporting criteria and shall prepare a form for reports filed~~  
13 ~~with the department pursuant to this section. The department~~  
14 ~~shall make the information available by electronic means.~~

15 Sec. 30. Section 384.19, Code 2011, is amended by adding the  
16 following new unnumbered paragraph:

17 NEW UNNUMBERED PARAGRAPH. For purposes of a tax protest  
18 filed under this section, "*item*" means a budgeted expenditure,  
19 appropriation, or cash reserve from a fund for a service area,  
20 program, program element, or purpose.

21 Sec. 31. Section 386.8, Code 2011, is amended to read as  
22 follows:

23 **386.8 Operation tax.**

24 A city may establish a self-supported improvement district  
25 operation fund, and may certify taxes not to exceed the  
26 rate limitation as established in the ordinance creating the  
27 district, or any amendment thereto, each year to be levied  
28 for the fund against all of the property in the district,  
29 for the purpose of paying the administrative expenses of  
30 the district, which may include but are not limited to  
31 administrative personnel salaries, a separate administrative  
32 office, planning costs including consultation fees, engineering  
33 fees, architectural fees, and legal fees and all other expenses  
34 reasonably associated with the administration of the district  
35 and the fulfilling of the purposes of the district. The taxes

1 levied for this fund may also be used for the purpose of paying  
2 maintenance expenses of improvements or self-liquidating  
3 improvements for a specified length of time with one or more  
4 options to renew if such is clearly stated in the petition  
5 which requests the council to authorize construction of the  
6 improvement or self-liquidating improvement, whether or not  
7 such petition is combined with the petition requesting creation  
8 of a district. Parcels of property which are assessed as  
9 residential property for property tax purposes are exempt from  
10 the tax levied under this section except residential properties  
11 within a duly designated historic district. A tax levied under  
12 this section is not subject to the ~~levy~~ limitation in section  
13 384.1.

14 Sec. 32. Section 386.9, Code 2011, is amended to read as  
15 follows:

16 **386.9 Capital improvement tax.**

17 A city may establish a capital improvement fund for a  
18 district and may certify taxes, not to exceed the rate  
19 established by the ordinance creating the district, or any  
20 subsequent amendment thereto, each year to be levied for  
21 the fund against all of the property in the district, for  
22 the purpose of accumulating moneys for the financing or  
23 payment of a part or all of the costs of any improvement or  
24 self-liquidating improvement. However, parcels of property  
25 which are assessed as residential property for property tax  
26 purposes are exempt from the tax levied under this section  
27 except residential properties within a duly designated historic  
28 district. A tax levied under this section is not subject to  
29 the ~~levy~~ limitations in section 384.1 or 384.7.

30 Sec. 33. REPEAL. Sections 331.425 and 331.426, Code 2011,  
31 are repealed.

32 Sec. 34. APPLICABILITY. This division of this Act applies  
33 to fiscal years beginning on or after July 1, 2013.

34 EXPLANATION

35 This bill relates to property taxation and local government



1 budgets by establishing and modifying property assessment  
2 limitations, providing for certain property tax replacement  
3 payments, establishing budget limitations for counties and  
4 cities, eliminating certain reporting requirements, and making  
5 appropriations.

6 Division I of the bill changes the property tax assessment  
7 limitation percentage for residential property and agricultural  
8 property from 4 percent to 2 percent for assessment years  
9 beginning on or after January 1, 2013. The bill also provides,  
10 however, that for valuations established on or after January  
11 1, 2013, the percentage of actual value at which agricultural  
12 and residential property are assessed, as calculated in the  
13 bill, may not increase or decrease more than two percentage  
14 points from the percentage of actual value for the same class  
15 of property in the previous assessment year.

16 Division I of the bill strikes the methodology in Code  
17 section 441.21(5) currently used to determine the percentage  
18 of actual value at which commercial property and industrial  
19 property are assessed for property tax purposes. The bill  
20 provides that for valuations established for the assessment  
21 year beginning January 1, 2013, the percentage of actual value  
22 at which commercial and industrial property are assessed is  
23 95 percent. For the assessment year beginning January 1,  
24 2014, the percentage of actual value at which commercial and  
25 industrial property are assessed is 90 percent. For the  
26 assessment year beginning January 1, 2015, the percentage of  
27 actual value at which commercial and industrial property are  
28 assessed is 85 percent. For assessment years beginning on  
29 or after January 1, 2016, the percentage of actual value at  
30 which commercial and industrial property shall be assessed  
31 is the percentage of actual value that those classes of  
32 property were assessed in the previous assessment year, unless  
33 a specified amount of statewide commercial and industrial  
34 property valuation growth is achieved and the applicable  
35 state appropriation to the commercial and industrial property

1 tax replacement fund under new Code section 441.21A is  
2 not otherwise reduced by law. If such statewide valuation  
3 growth and state appropriation conditions are satisfied, the  
4 percentage of actual value at which commercial and industrial  
5 property are assessed shall be the percentage of actual value  
6 that those classes were assessed in the previous assessment  
7 year minus five percentage points. The bill provides, however,  
8 that in no assessment year shall the percentage of actual value  
9 for either class of property be less than 60 percent.

10 Division I provides that for valuations established on or  
11 after January 1, 2013, property valued by the department of  
12 revenue pursuant to Code chapter 434 (railway property) is  
13 assessed at a percentage of its actual value equal to the  
14 percentage of actual value at which commercial property is  
15 assessed for the same assessment year.

16 Division I creates a commercial and industrial property  
17 tax replacement fund in new Code section 441.21A under the  
18 control of the department of revenue. For the fiscal year  
19 beginning July 1, 2014, the bill appropriates \$50 million from  
20 the general fund of the state to the department of revenue  
21 to be credited to the fund. For fiscal years beginning on  
22 or after July 1, 2015, the amount of the appropriation to  
23 the fund is equal to the amount of the appropriation to the  
24 fund, as calculated in the bill, for the previous fiscal year,  
25 unless the total statewide actual value of all commercial and  
26 industrial property for the budget assessment year, as defined  
27 in the bill, exceeds 104 percent of the total statewide actual  
28 value of all commercial and industrial property in the base  
29 assessment year, as defined in the bill. If such an increase  
30 in the statewide actual value of commercial and industrial  
31 property occurs, the amount of the appropriation to the fund  
32 is instead an amount equal to the sum of the amount of the  
33 appropriation to the fund, as calculated in the bill, for the  
34 previous fiscal year plus an additional amount specified in  
35 the bill, which is determined by the amount of the required

1 appropriation for the previous fiscal year.

2 Division I provides that beginning with the fiscal year  
3 starting July 1, 2014, moneys appropriated to the commercial  
4 and industrial property tax replacement fund are for the  
5 payment of commercial and industrial property tax replacement  
6 claims. If an amount appropriated for a fiscal year is  
7 insufficient to pay all replacement claims, the director of  
8 revenue prorates the disbursements from the fund. Any unspent  
9 balance as of June 30 of each year shall revert to the general  
10 fund of the state as provided in Code section 8.33.

11 Division I requires the assessor to determine, on or before  
12 July 1 of each fiscal year beginning on or after July 1, 2014,  
13 the total assessed value of all commercial and industrial  
14 property for taxes due and payable in that fiscal year and the  
15 total assessed value of all commercial and industrial property  
16 assessed as of January 1, 2012, and to report those valuations  
17 to the county auditor. On or before September 1, the county  
18 auditor prepares a statement, based upon the report listing  
19 for each taxing district in the county the assessed values  
20 of commercial and industrial property located in the taxing  
21 district for specified assessment years, the tax levy rate  
22 for each taxing district, and the commercial and industrial  
23 property tax replacement claim for each taxing district. The  
24 replacement claim is equal to the difference between the  
25 assessed valuation of all commercial and industrial property  
26 located in the taxing district and assessed for that assessment  
27 year and the total assessed value of all commercial and  
28 industrial property located in the taxing district and assessed  
29 as of January 1, 2012, multiplied by the tax rate specified for  
30 the taxing district. If the January 1, 2012, assessment amount  
31 is less, there is no replacement claim for the taxing district  
32 for that year.

33 Replacement claims are paid to each county treasurer in  
34 equal installments in September and March of each year. The  
35 county treasurer apportions the replacement claim payments

1 among the eligible taxing districts in the county.

2 Division I defines a tax increment financing district in  
3 an urban renewal area as a taxing district for purposes of  
4 allocation of replacement moneys and provides for the method of  
5 allocation in those districts.

6 Division I, pursuant to Code section 4.13, does not affect  
7 the application of prior provisions of Code section 441.21 to  
8 assessment years beginning before January 1, 2013.

9 Division I of the bill applies to assessment years beginning  
10 on or after January 1, 2013.

11 Division II of the bill removes the property tax levy rate  
12 limitations on the general and rural funds for counties and on  
13 the general fund for cities and substitutes a limitation on the  
14 maximum amount of property tax dollars that may be certified  
15 for expenditure by a county or city for fiscal years beginning  
16 on or after July 1, 2013. For the fiscal year beginning July  
17 1, 2013, and subsequent fiscal years, the maximum amount of  
18 property tax dollars which may be certified for levy shall be  
19 an amount equal to the sum of the current fiscal year's total  
20 property tax dollars certified by the county multiplied by the  
21 annual growth factor, as defined in the bill, and the amount of  
22 net new valuation taxes, as defined in the bill.

23 Division II also allows counties and cities to certify  
24 additions to the maximum amount of property tax dollars to be  
25 levied for a period of time not to exceed two years if the  
26 proposition has been approved at a special election. The bill  
27 specifies the notice and election requirements for such a  
28 proposition. The bill specifies that such amounts approved at  
29 special election are not to be included in the computation of  
30 the maximum amount of property tax dollars for future budget  
31 years.

32 Division II of the bill specifies certain requirements  
33 for ending fund balances for counties and cities. The bill  
34 provides that budgeted ending fund balances in certain  
35 specified funds for a budget year in excess of 25 percent

1 of budgeted expenditures shall be explicitly reserved or  
2 designated for a specific purpose.

3 Under the bill, counties and cities are encouraged, but  
4 not required, to reduce budgeted, unreserved, or undesignated  
5 ending fund balances for the budget year to an amount equal to  
6 approximately 25 percent of budgeted expenditures and certain  
7 transfers for that budget year unless a decision is certified  
8 by the state appeal board ordering a reduction in the ending  
9 fund balance of any of those funds. The county or city,  
10 as applicable, has the burden of proving that the budgeted  
11 balances in excess of 25 percent are reasonably likely to be  
12 appropriated for the explicitly reserved or designated specific  
13 purpose.

14 Division II of the bill also allows for additional property  
15 taxes to be levied in certain fiscal years for those counties  
16 or cities that have, as of June 30, 2012, reduced their  
17 actual ending fund balance to less than 25 percent of actual  
18 expenditures. Such additional property tax dollars authorized  
19 but not levied may be carried forward as unused ending  
20 fund balance taxing authority until and for the fiscal year  
21 beginning July 1, 2018. However, the amount carried forward  
22 shall not exceed 25 percent of the maximum amount of property  
23 tax dollars available in the current fiscal year. The amount  
24 of such additional property taxes levied shall not, however, be  
25 included in the computation of the maximum amount of property  
26 tax dollars which may be certified and levied in future budget  
27 years.

28 Division II also makes conforming amendments to other  
29 provisions of the Code.

30 Division II strikes language relating to the duties of the  
31 county finance committee and the city finance committee to  
32 determine criteria for reporting of certain indebtedness and  
33 strikes language requiring the department of management to make  
34 such information available by electronic means.

35 Division II applies to fiscal years beginning on or after

S.F. \_\_\_\_\_ H.F. \_\_\_\_\_

1 July 1, 2013.